

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 SS-15 L-03 STR-04 EB-07
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R 100915Z DEC 76
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9584
INFO AMEMBASSY ABU DHABI
AMEMBASSY BONN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, EG

SUBJECT: BANKER COMMENTS ON REVISED FX CONTROLS

REF: CAIRO 16877

1. SENIOR EGYPTIAN BANKING OFFICIAL ON DECEMBER 9 GAVE EMBOFF FURTHER IMPRESSIONS OF RECENT CHANGES IN FOREIGN EXCHANGE CONTROLS (REFTEL). BANKER SAID THAT, WHILE HE HAD NOT READ REGULATIONS IN THEIR ENTIRETY, EVIDENT INTENT OF REVISED RULES IS TO ATTRACT TO BANKING SYSTEM EGYPTIAN FX HOLDINGS ABROAD. HE COMMENTED CHANGES ARE WELCOMED BY EGYPTIAN BANKING COMMUNITY AS MEANS TO MEET COMPETITION IN ARE OF FX TRANSACTIONS FROM OFF-SHORE FOREIGN BANKS LOCATED AT CAIRO. PRINCIPAL REMAINING RESTRICTIONS AFFECTING DAILY BANK OPERATIONS ARE LACK OF FULL AUTHORITY TO USE FX DEPOSITS FOR LOAN PURPOSES AND PROHIBITION ON SALE OF FX FOR LE OTHER THAN IN LIMITED AMOUNTS SPECIFICALLY FOR TRAVEL ABROAD.

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2. BANKING OFFICIAL SAID CURRENCY CONTROL REVISIONS,

ALTHOUGH FORMULATED BY PREVIOUS ECON AND FINANCE
MINISTERS, WERE RUSHED INTO EFFECT BY CURRENT QUOTE
ECONOMIC TEAM UNQUOTE (I.E., DEPPRIMIN KAISOUNY,
MINECON EL SAYEH AND MINFIN HAMID) IN ORDER TO IMPART
MOMENTUM TO LIBERALIZATION OF ECONOMY. FURTHER
LIBERALIZING MEASURES ARE EXPECTED, IMPORTANTLY INCLUDING
EXPANDED FX CREDIT AUTHORIZATION. (AT PRESENT ONLY
EXPORT-ORIENTED FX-EARNING ENTERPRISES ARE ELIGIBLE FOR
HARD CURRENCY LOANS FROM COMMERCIAL BANKS.) THIS LATER
STATE IN LOOSENING OF FX CONTROLS, WHICH BANKING OFFICIAL
EXPECTS AT EARLY DATE, WILL MAKE POSSIBLE WIDE-OPEN
FINANCIAL MARKET IN LEBANESE STYLE.

3. COMMENT: WE HAVE HEARD REPORTS, WHICH ARE IMPOSSIBLE
OF CONFIRMATION, THAT FX HOLDINGS ABROAD OF EGYPTIANS AMOUNT
TO AS MUCH AS \$2,000 MILLION. NO ONE IS PREDICTING YET
WHETHER OR TO WHAT EXTENT NEWLY-RELAXED CONTROLS WILL
SUCCEED IN ATTRACTING THESE FUNDS TO EGYPTIAN BANKS.
EILTS

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